

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 IO-14 AID-05 CIAE-00 COME-00

EB-08 FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-07 CEA-01 /127 W

-----056884 261324Z /64

R 261018Z APR 78

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 9385

INFO AMEMBASSY BRUSSELS

AMCONSUL LUBUMBASHI

UNCLAS KINSHASA 4135

E.O. 11652: N/A

TAGS: EFIN, CG

SUBJECT: ANNUAL REPORT OF THE BANK OF ZAIRE

REF: 77 KINSHASA 3430

1. IN THE 1976 ANNUAL REPORT OF THE BANK OF ZAIRE, PRESENTED TO PRESIDENT MOBUTU IN NOVEMBER 1977 AND ONLY RECENTLY MADE PUBLIC, THE BANK OF ZAIRE (BOZ) ONCE AGAIN BERATES THE GOVERNMENT OF ZAIRE (GOZ) FOR THE CONTINUED DETERIORATION IN ZAIRE'S ECONOMY IN 1976/77. WHILE ACKNOWLEDGING THAT EXOGENOUS ECONOMIC FACTORS HAVE CONTRIBUTED TO THE

CONTINUING ECONOMIC SLIDE, THE BANK BLAMES THE GOZ FOR THE ABSENCE OF

AN /ECONOMIC AND FINANCIAL POLICY". THE EMBASSY AGAIN FINDS THE ECONOMIC AND STATISTICAL ANALYSIS THAT SUPPORTS THIS FRANK CRITICISM TO BE BASICALLY SOUND. MOREOVER, THE DATA AND METHODOLOGICAL PROBLEMS POSED BY ZAIRE'S LARGE AND UNDOCUMENTED SUBSISTENCE ECONOMY ARE HANDLED CONSISTENTLY.

2. THE ANNUAL REPORT ATTRIBUTES THE CONTINUED DETERIORATION IN ZAIRE'S UNCLASSIFIED

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PRODUCTION OF GOODS AND SERVICES TO TWO PRINCIPAL FACTORS -- FOREIGN EXCHANGE--RELATED RESTRICTIONS ON IMPORTS AND INTERNAL TRANSPORTATION DIFFICULTIES THAT HAMPERED THE EXPORT OF MINERALS AND AGRICULTURAL PRODUCE. GDP CONTINUED TO DECLINE IN VOLUME TERMS IN 1976 (-4.7 PERCENT) AFTER A SHARPER DECLINE IN 1975 (-6.8 PERCENT). ALL SECTORS PARTICIPATED IN THIS DECLINE WITH THE EXCEPTION OF ENERGY AND

AGRICULTURE, WHICH BENEFITED FROM THE CONTINUED PROGRESS AT INGA, THE HYDRO-ELECTRIC COMPLEX UNDER CONSTRUCTION, AND STRONGER INTERNATIONAL PRICES FOR COFFEE AND TIMBER EXPORTS. HOWEVER, THE DECLINE IN GDP MODERATED IN 1977 (-2.0 PERCENT) LARGELY BECAUSE OF THE IMPROVED PERFORMANCE BY GECAMINES, THE STATE-OWNED COPPER PRODUCER.

3. ZAIRE'S PUBLIC FINANCES FFR 1976 AND 1977 WERE MARKED BY BUDGET DEFICITS FAR LARGER THAN THOSE ENVISAGED IN THE RESPECTIVE IMF STABILIZATION PLANS (APPROXIMATELY Z300 MILLIO/\$350 MILLION IN BOTH 1976 AND 1977). BOZ CREDITS FINANCED A MAJOR PART OF THESE DEFICITS CONTRIBUTING TO A SUBSTANTIAL MONETARY EXPANSION AND AN ACCELERATION IN THE INFLATION RATE (63 PERCENT).

4. LACK OF GOVERNMENT BUDGETARY RESTRAINT CONTRIBUTED TO ZAIRE'S CONTINUING BALANCE OF PAYMENTS PROBLEMS. AFTER A 1975 DEFICIT OF Z113 MILLION, ZAIRE POSTED A DECEPTIVE Z71.5 MILLION SURPLUS WHICH INCLUDED, HOWEVER, AN ACCOUNTING CREDIT FOR UNPAID FOREIGN COMMERCIAL DEBTS. THE IMPROVEMENT ALSO RESULTED FROM BETTER PERFORMANCE ON THE MERCHANDISE AND CAPITAL ACCOUNTS, BUT ALSO FROM PUBLIC DEBT RESCHEDULING AND MOUNTING COMMERCIAL ARREARS. PRELIMINARY ESTIMATES SHOW THE BALANCE OF PAYMENTS WAS AGAIN IN DEFICIT BY APPROXIMATELY Z220 MILLION IN 1977. THE PERSISTING BALANCE OF PAYMENTS CONSTRAINTS REFLECT ZAIRE'S CONTINUED INABILITY TO MOBILIZE DOMESTIC AND EXTERNAL RESOURCES TO MEET ITS DEVELOPMENT GOALS.

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5. ABOVE IS SUMMARY OF KINSHASA AIRGRAM WHICH FOLLOWS.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
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Draft Date: 26 apr 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Expiration:
Film Number: D780178-0475
Format: TEL
From: KINSHASA
Handling Restrictions:
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ISecure: 1
Legacy Key: link1978/newtext/t19780416/aaaaamup.tel
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0bc62fa7-c288-dd11-92da-001cc4696bcc
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Original Classification: UNCLASSIFIED
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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